

**CITY OF SYLVAN LAKE
OAKLAND COUNTY, MICHIGAN**

Report on Audit of Accounts

June 30, 2008

CITY OF SYLVAN LAKE, MICHIGAN

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CITY OF SYLVAN LAKE, MICHIGAN

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FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
TROY R. FORMAN
JAMES A. STEPHENSON, IV
STEPHEN C. OTIS

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

TELEPHONE (248) 646-9666

FACSIMILE (248) 646-3857

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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of Sylvan Lake
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvan Lake, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sylvan Lake, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake, Michigan, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvan Lake, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

December 18, 2008

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sylvan Lake's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were approximately \$3,643,000 at the close of the year ended June 30, 2008. This represents an increase of \$98,000 or a 3% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$28,000. The business-type activities has experienced an approximate increase in net assets of \$70,000.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2008 and 2007:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Current and other assets	\$ 1,710,203	\$ 2,147,493	\$ 1,434,772	\$ 1,493,110	\$ 3,144,975	\$ 3,640,603
Capital assets	4,513,980	4,187,311	2,533,138	2,478,883	7,047,118	6,666,194
Total assets	<u>\$ 6,224,183</u>	<u>\$ 6,334,804</u>	<u>\$ 3,967,910</u>	<u>\$ 3,971,993</u>	<u>\$10,192,093</u>	<u>\$10,306,797</u>
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 475,506	\$ 404,474	\$ 203,373	\$ 192,878	\$ 678,879	\$ 597,352
Long term debt outstanding	4,135,000	4,345,000	1,735,000	1,820,000	5,870,000	6,165,000
Total liabilities	\$ 4,610,506	\$ 4,749,474	\$ 1,938,373	\$ 2,012,878	\$ 6,548,879	\$ 6,762,352
Net assets:						
Invested in capital assets, net of related debt	244,605	246,369	713,138	573,883	957,743	820,252
Restricted	886,701	798,623			886,701	798,623
Unrestricted	482,371	540,338	1,316,399	1,385,232	1,798,770	1,925,570
Total net assets	<u>\$ 1,613,677</u>	<u>\$ 1,585,330</u>	<u>\$ 2,029,537</u>	<u>\$ 1,959,115</u>	<u>\$ 3,643,214</u>	<u>\$ 3,544,445</u>
Total liabilities and net assets	<u>\$ 6,224,183</u>	<u>\$ 6,334,804</u>	<u>\$ 3,967,910</u>	<u>\$ 3,971,993</u>	<u>\$10,192,093</u>	<u>\$10,306,797</u>

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2008

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$887,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2008 and 2007:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenue:						
Charges for services	\$ 311,770	\$ 441,895	\$ 646,675	\$ 697,489	\$ 958,445	\$1,139,384
Operating grants and contributions	131,809	113,516			131,809	113,516
Capital grants and contributions	13,963	14,336			13,963	14,336
General revenue:						
Property taxes	1,406,308	1,339,082	170,125	173,657	1,576,433	1,512,739
State shared revenue	144,762	146,073			144,762	146,073
Interest income	93,957	83,087	57,158	68,355	151,115	151,442
Franchise fees	27,130	25,522			27,130	25,522
Miscellaneous	8,433	7,003			8,433	7,003
Sale of fixed assets	(828)	25,910			(828)	25,910
Total revenue	\$ 2,137,304	\$ 2,196,424	\$ 873,958	\$ 939,501	\$3,011,262	\$3,135,925
Program expenses:						
General government	248,062	347,894			248,062	347,894
Public safety	881,446	777,297			881,446	777,297
Public works	609,008	575,572			609,008	575,572
Community and economic development	68,138	77,004			68,138	77,004
Recreation and culture	129,257	110,589			129,257	110,589
Interest on long term debt	173,046	157,324			173,046	157,324
Sewer and water			787,978	829,842	787,978	829,842
Recreational vehicle storage			15,558	21,684	15,558	21,684
Total program expenses	\$ 2,108,957	\$ 2,045,680	\$ 803,536	\$ 851,526	\$2,912,493	\$2,897,206
Increase in net assets	\$ 28,347	\$ 150,744	\$ 70,422	\$ 87,975	\$ 98,769	\$ 238,719
Net assets - beginning of year	1,585,330	1,434,586	1,959,115	1,871,140	3,544,445	3,305,726
Net assets - end of year	\$ 1,613,677	\$ 1,585,330	\$ 2,029,537	\$ 1,959,115	\$3,643,214	\$3,544,445

As shown in the above table total revenues were approximately \$3.0 million, of which 52% was obtained from property taxes, 32% for fees charged for services and 5% for state shared revenues. Total expenses were approximately \$2.9 million, of which was 30% for public safety, 27% for sewer and water operations, and 21% for public works.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Operation Funds and Recreational Vehicle Storage Fund. The City provides sewer service to 833 customers and water service to 849 customers. During the year the City constructed Sewer and Water System improvements of \$85,164 and \$63,413, respectively.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2008

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2008 include the General Fund, Major Road Fund, Local Road Fund, Garbage and Rubbish Collection Fund, Street and Drainage Debt Fund and the Community Center Capital Project Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$1,343,000. Of this revenue, 58% was from property taxes, 16% was from charges for services and 11% was from state shared revenues. Total expenditures for the year were approximately \$1,355,000. Of these expenditures, 49% was for public safety and 13% was for general government. At June 30, 2008 the unreserved fund balance of \$525,018 represented 39% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2008 was \$215,747.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2008 was \$144,281.

The Garbage and Rubbish Collection Fund accounts for the collection for garbage and rubbish within the City. The fund balance of this fund at June 30, 2008 was \$293,015.

The Street and Drainage Debt Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs associated with the construction of City streets and drains. The fund balance of this fund at June 30, 2008 was \$7,883.

The Community Center Capital Project Fund is a capital project fund used to account for financial resources such as bond proceeds and other revenue necessary for the purpose of construction of a community center. The fund balance of this fund at June 30, 2008 was \$100,459.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The budgets for legal cost, City Hall and grounds, Police Department, CDBG, Parks and Recreation, and Community Center expenditures and transfers were amended to reflect increased costs.

City departments overall stayed below budget, resulting in total expenditures \$112,392 below budget. Actual revenue was less than budgeted amounts by \$38,630. This resulted in the General Fund's use of fund balance of approximately \$62,000 compared to a budgeted use of \$137,00 of prior year fund balance.

Capital Asset and Debt Administration

At the end of June 30, 2008, the City had \$7,047,118 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and water and sewer lines.

During the year, the City spent \$116,945 on the major and local streets construction project which started prior to 2004 and \$411,880 on the Community Center construction project.

Other major expenditures for capital asset during the year included the following:

1. Sewer System improvements - \$85,164;
2. Water System improvements - \$63,413;
3. DPW truck - \$56,982;
4. Computer software - \$8,940.

Long-Term Debt

The City's total indebtedness at June 30, 2008 was \$6,165,000. The City maintains a "A+" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note G.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2008

Economic Factors and Next Year's Budgets and Rates

The City's 2009 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2009 are as follows:

	2009 mills levied	2008 mills levied
Operating:		
General operating	6.8941	6.8941
Garbage and rubbish	2.0680	2.0680
Library	0.2249	0.2249
Community promotion economic development	<u>0.4734</u>	<u>0.4878</u>
	9.6604 mills	9.6748 mills
Debt services	<u>5.1672</u>	<u>5.0827</u>
Total	<u>14.8276</u> mills	<u>14.7575</u> mills

Community Development Block Grant is expected to decrease.

Charges for services are expected to decrease with the completion of the street and drainage and water/sewer projects.

Fines and forfeitures are expected to increase due to increased enforcement.

Lease income is expected to increase due to Community Center rentals

Expenditures:

Community Development Block Grant costs will decrease as these costs are project specific.

Police cost will increase to cover increased payroll costs.

Fire protection has been adjusted to reflect increases in contract costs.

Public works cost will decrease as construction projects are completed.

Planning cost will increase as the master plan is implemented and zoning ordinances are amended to reflect changes in the master plan.

Insurance and benefits will increase with the addition of an employee and continuing rate increases.

Transfers to other funds will decrease.

The 2009 General Fund budget expects an excess of expenditures. The projected General Fund's fund balance at June 30, 2009 is approximately \$464,000 which represents approximated 32% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Sylvan Lake, 1820 Inverness Avenue, Sylvan Lake, Michigan 48320.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and investments	\$ 1,579,723	\$ 1,272,322	\$ 2,852,045
Receivables:			
Taxes	10,843		10,843
Customers		150,086	150,086
Interest	9,604	7,886	17,490
Other	11,671		11,671
Due from other governments	43,758		43,758
Prepaid and other assets	13,562	4,478	18,040
Deferred charges	5,000		5,000
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	18,689		18,689
Receivable - Agency Funds	17,353		17,353
Capital assets, net:			
Depreciable	3,745,032	2,533,138	6,278,170
Nondepreciable	316,716		316,716
Construction in process	452,232		452,232
Total assets	<u>\$ 6,224,183</u>	<u>\$ 3,967,910</u>	<u>\$ 10,192,093</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 162,263	\$ 96,257	\$ 258,520
Accrued wages	19,687	1,074	20,761
Accrued interest	40,813	21,042	61,855
Compensated absences	42,743		42,743
Noncurrent liabilities:			
Due within one year	210,000	85,000	295,000
Due in more than one year	4,135,000	1,735,000	5,870,000
Total liabilities	<u>\$ 4,610,506</u>	<u>\$ 1,938,373</u>	<u>\$ 6,546,879</u>
Net assets:			
Invested in capital assets, net of related debt	244,605	713,138	957,743
Restricted for:			
Major and Local Roads	360,026		360,026
Garbage and Rubbish	293,015		293,015
Community Promotion/Economic Development	32,707		32,707
Building Department	4,987		4,987
Library	908		908
Lake Level/Drains	13,413		13,413
Capital Projects	147,698		147,698
Other	33,945		33,945
Unrestricted	482,371	1,316,399	1,796,770
Total net assets	<u>\$ 1,613,677</u>	<u>\$ 2,029,537</u>	<u>\$ 3,643,214</u>
Total liabilities and net assets	<u>\$ 6,224,183</u>	<u>\$ 3,967,910</u>	<u>\$ 10,192,093</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 248,062	\$ 126,719	\$	\$
Public safety.	881,446	103,136	1,278	
Public works	609,008		109,888	
Community and economic development	68,138		20,683	
Recreation and culture	129,257	81,915		13,963
Interest on long term debt	173,048			
Total governmental activities.	\$ 2,108,957	\$ 311,770	\$ 131,609	\$ 13,963
Business-type activity:				
Sewer.	\$ 442,980	\$ 358,384	\$	\$
Water.	344,998	272,416		
Recreational vehicle storage	15,558	15,875		
Total business-type activities	\$ 803,536	\$ 646,675	\$	\$
Total primary government	\$ 2,912,493	\$ 958,445	\$ 131,809	\$ 13,963

General revenues:

Property taxes	
State shared revenues	
Interest income	
Franchise fees	
Miscellaneous	
Special item - sale of fixed assets	

Total general revenues

Changes in net assets

Net assets - July 1, 2007

Net assets - June 30, 2006

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
\$ (121,343)	\$	\$ (121,343)
(777,032)		(777,032)
(499,140)		(499,140)
(47,475)		(47,475)
(33,379)		(33,379)
(173,046)		(173,046)
<u>\$ (1,651,415)</u>	<u>\$</u>	<u>\$ (1,851,415)</u>
\$	\$ (84,596)	\$ (84,596)
	(72,582)	(72,582)
	317	317
<u>\$</u>	<u>\$ (156,861)</u>	<u>\$ (156,661)</u>
\$ (1,651,415)	\$ (156,861)	\$ (1,808,276)
1,406,308	170,125	1,576,433
144,762		144,762
93,957	57,158	151,115
27,130		27,130
8,433		8,433
(828)		(828)
<u>\$ 1,879,782</u>	<u>\$ 227,283</u>	<u>\$ 1,907,045</u>
\$ 28,347	\$ 70,422	\$ 98,769
<u>1,585,330</u>	<u>1,959,115</u>	<u>3,544,445</u>
<u>\$ 1,613,677</u>	<u>\$ 2,029,537</u>	<u>\$ 3,643,214</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
ASSETS					
Cash and investments.	\$ 537,484	\$ 204,725	\$ 149,830	\$ 291,031	\$ 7,883
Receivables:					
Taxes	10,843				
Interest.	4,758	1,487	1,028	1,991	
Other	11,871				
Due from other funds.	3,212				
Due from other governments.	26,748	11,922	5,088		
Prepaid and other assets.	9,945	1,378	1,378	861	
Cash - restricted	18,689				
Due from other funds - restricted	15,256				
Total assets.	\$ 638,606	\$ 219,512	\$ 157,122	\$ 293,883	\$ 7,883
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable.	\$ 53,472	\$ 3,339	\$ 12,250	\$ 868	\$
Accrued salaries and wages.	18,226	426	591		
Due to other funds.					
Total liabilities	\$ 89,698	\$ 3,765	\$ 12,841	\$ 868	\$
Fund balance:					
Reserved:					
Prepaid expenses.	9,945	1,378	1,378	861	
Other	33,945				
Unreserved, reported in:					
General Fund.	525,018				
Special Revenue Funds		214,369	142,903	292,154	
Debt Service.					7,883
Capital Project Funds					
Total fund balance.	\$ 568,908	\$ 215,747	\$ 144,281	\$ 293,015	\$ 7,883
Total liabilities and fund balance.	\$ 638,606	\$ 219,512	\$ 157,122	\$ 293,883	\$ 7,883

Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 149,260	\$ 233,568	\$ 1,573,579
		10,843
	338	9,600
		11,671
		3,212
		43,758
		13,582
		18,689
		15,256
<u>\$ 149,260</u>	<u>\$ 233,904</u>	<u>\$ 1,700,170</u>
\$ 48,801	\$ 43,225	\$ 181,955
	2,379	19,822
	1,114	1,114
<u>\$ 48,801</u>	<u>\$ 46,718</u>	<u>\$ 182,691</u>
		13,582
		33,945
		525,018
	52,015	701,441
	12,307	20,190
100,459	122,684	223,323
<u>\$ 100,459</u>	<u>\$ 187,186</u>	<u>\$ 1,517,479</u>
<u>\$ 149,260</u>	<u>\$ 233,904</u>	<u>\$ 1,700,170</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total governmental fund balances.		\$ 1,517,479
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	\$ 5,635,140	
Less accumulated depreciation	(1,124,338)	4,510,802
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest.		
		(4,423,557)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets		
		8,953
Net assets of governmental activities	\$	<u>1,613,677</u>

JANZ & KNIGHT, P L C - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Revenues:					
Taxes	\$ 772,732	\$	\$	\$ 211,380	\$ 283,872
Licenses and permits	4,530				
Federal sources	20,663				
State sources	149,942	72,791	31,053	907	
Charges for services	221,376		1,116		
Fines and forfeitures	52,781				
Interest earnings	32,494	9,113	6,861	13,992	1,471
Other	88,774				
Total revenues	\$ 1,343,292	\$ 81,904	\$ 39,030	\$ 226,279	\$ 285,343
Expenditures:					
Current:					
General government	177,974				100
Public safety	657,847				
Public works	81,996	64,247	60,767	172,329	
Community and economic development	34,464				
Recreation and culture	85,482				
Other	251,640				
Capital outlay	65,922	31,317	85,628		
Debt service:					
Principal payments					140,000
Interest and fiscal charges					145,840
Total expenditures	\$ 1,355,325	\$ 95,564	\$ 146,395	\$ 172,329	\$ 285,940
Excess of revenues over (under) expenditures	\$ (12,033)	\$ (13,660)	\$ (107,365)	\$ 53,950	\$ (597)
Other financing sources (uses):					
Operating transfers in		31,317	93,041		
Operating transfers out	(50,320)	(18,198)			
Total other financing sources (uses)	\$ (50,320)	\$ 13,119	\$ 93,041	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ (62,353)	\$ (541)	\$ (14,324)	\$ 53,950	\$ (597)
Fund balance - July 1, 2007	631,281	216,288	158,605	239,065	8,480
Fund balance - June 30, 2008	\$ 568,908	\$ 215,747	\$ 144,281	\$ 293,015	\$ 7,883

Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 138,324	\$ 1,408,308
	28,223	32,753
	99	20,663
	10,565	254,792
		233,077
		52,781
16,498	12,989	93,418
		68,774
\$ 16,498	\$ 190,220	\$ 2,182,586
	10,774	188,848
	38,657	698,504
	3,411	382,750
	33,475	67,939
	23,082	108,564
		251,640
411,680		594,547
	40,000	180,000
	26,031	171,871
\$ 411,880	\$ 175,430	\$ 2,642,663
\$ (395,182)	\$ 14,790	\$ (460,097)
40,000	10,320	174,878
	(106,160)	(174,678)
\$ 40,000	\$ (95,840)	\$
\$ (355,182)	\$ (81,050)	\$ (460,097)
455,641	268,238	1,977,576
\$ 100,459	\$ 187,186	\$ 1,517,479

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - total governmental fund	\$	(460,097)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Expenditures for capital assets	\$	594,547
Current year depreciation	(253,548)	341,001
In the statement of activities, only the gain on sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the equipment.		
		(12,480)
Accrued interest is recorded in the statement of activities		
		(1,175)
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		
		180,000
(Increase) in accumulated employee vacation and sick pay are recorded when earned in the statement of activity		
		(5,583)
Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities		
		(13,319)
Change in net assets of governmental activities	\$	<u>28,347</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Combined Total	
ASSETS					
Cash and investments.	\$ 617,094	\$ 626,447	\$ 26,781	\$ 1,272,322	\$ 6,144
Receivables:					
Customers	86,078	64,010		150,086	
Interest.	3,571	4,087	228	7,886	4
Prepaid expenses.	2,239	2,239		4,478	
Building and improvements			11,047	11,047	57,042
Accumulated depreciation.			(11,047)	(11,047)	(53,864)
Machinery and equipment	1,815,921	1,609,240		3,425,161	
Accumulated depreciation.	(401,542)	(490,481)		(892,023)	
Total assets.	<u>\$ 2,123,359</u>	<u>\$ 1,815,542</u>	<u>\$ 29,009</u>	<u>\$ 3,967,910</u>	<u>\$ 9,326</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable.	\$ 53,374	\$ 42,856	\$ 27	\$ 96,257	\$ 308
Accrued salaries and wages.	469	448	157	1,074	65
Accrued interest.	12,061	6,961		21,042	
Current portion of long-term debt	48,722	36,278		65,000	
Total current liabilities	\$ 114,826	\$ 86,563	\$ 184	\$ 203,373	\$ 373
Long-term debt - net of current portion	994,502	740,498		1,735,000	
Total liabilities	\$ 1,109,128	\$ 829,061	\$ 184	\$ 1,938,373	\$ 373
Net assets:					
Invested in capital assets.	371,155	341,983		713,138	3,178
Unrestricted.	643,078	644,498	28,825	1,318,399	5,775
Total net assets.	<u>\$ 1,014,231</u>	<u>\$ 986,481</u>	<u>\$ 28,825</u>	<u>\$ 2,029,537</u>	<u>\$ 8,953</u>
Total liabilities and net assets.	<u>\$ 2,123,359</u>	<u>\$ 1,815,542</u>	<u>\$ 29,009</u>	<u>\$ 3,967,910</u>	<u>\$ 9,326</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Combined Total	
Operating revenues:					
Charges for services	\$ 346,793	\$ 263,464	\$ 15,875	\$ 626,132	\$ 12,000
Penalties and interest	11,591	8,952		20,543	
Total operating revenue	\$ 358,384	\$ 272,416	\$ 15,675	\$ 646,675	\$ 12,000
Operating expenses:					
Contractual services	231,592	154,982		386,574	
Utilities	1,915	1,035	324	3,274	3,093
Administrative charges	15,000	19,500		34,500	
Salaries and benefits	43,025	38,311	4,467	85,803	8,418
Repairs and maintenance	38,969	26,543	710	66,222	9,929
Insurance	3,808	3,808		7,616	
Engineering fees	77	1,938		2,015	
Professional services	2,300	8,074		8,374	
Municipal garage rental	2,000	2,000		4,000	
Equipment rental	3,503	3,688		7,171	
Depreciation	48,800	44,522		94,322	1,853
Unemployment	1,175	1,175		2,350	
Printing and miscellaneous	788	4,866	10,057	15,811	2,565
Total operating expenses	\$ 393,852	\$ 308,522	\$ 15,558	\$ 718,032	\$ 25,858
Operating income (loss)	\$ (35,588)	\$ (36,106)	\$ 317	\$ (71,357)	\$ (13,858)
Nonoperating revenue (expense):					
Interest earnings	23,920	31,706	1,532	57,158	539
Interest expense	(48,756)	(36,304)		(85,060)	
Debt service charges	97,518	72,609		170,125	
Other	(272)	(172)		(444)	
Total nonoperating revenue (expense)	\$ 72,408	\$ 67,839	\$ 1,532	\$ 141,779	\$ 539
Change in net assets	\$ 36,840	\$ 31,733	\$ 1,849	\$ 70,422	\$ (13,319)
Net assets - July 1, 2007	977,391	954,748	28,976	1,959,115	22,272
Net assets - June 30, 2008	\$ 1,014,231	\$ 988,481	\$ 28,825	\$ 2,029,537	\$ 8,953

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-type Activities				
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Combined Total	Governmental Activity- Internal Service Fund
Cash flows from operating activities:					
Receipts from customers	\$ 378,972	\$ 287,883	\$ 15,875	\$ 660,730	\$
Receipts from interfund services provided . . .					12,000
Payments to suppliers	(281,584)	(201,887)	(1,091)	(484,562)	(15,876)
Payments to employees	(46,282)	(41,586)	(8,254)	(94,122)	(9,903)
Payments for internal services used	(20,503)	(27,812)	(10,000)	(58,115)	
Net cash provided by (used in) operating activities	\$ 48,603	\$ (3,202)	\$ (1,470)	\$ 43,931	\$ (13,579)
Cash flows from capital and related financing activities:					
Collection of debt service charges	97,516	72,609		170,125	
Purchase of capital assets	(85,164)	(63,413)		(148,577)	
Principal and interest paid on capital debt .	(98,262)	(73,185)		(171,427)	
Net cash (used in) capital and related financing activities	\$ (85,910)	\$ (63,969)	\$	\$ (149,879)	\$
Cash flows from investing activities:					
Interest income	25,938	29,920	1,671	57,529	692
Net increase (decrease) in cash	\$ (11,369)	\$ (37,251)	\$ 201	\$ (48,419)	\$ (12,887)
Cash and cash equivalents - July 1, 2007	628,463	663,898	28,580	1,320,741	19,031
Cash and cash equivalents - June 30, 2008 . . .	\$ 617,094	\$ 626,447	\$ 26,781	\$ 1,272,322	\$ 6,144
Operating activities:					
Operating income (loss)	\$ (35,568)	\$ (38,106)	\$ 317	\$ (71,357)	\$ (13,858)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:					
Depreciation	49,800	44,522		94,322	1,853
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	18,587	(4,564)		14,023	
(Increase) decrease in prepaid expense	(2,239)	(2,239)		(4,478)	
Increase (decrease) in accounts payable	21,144	(2,510)		18,634	(90)
Increase (decrease) in accrued wages	161	139	157	457	66
Increase (decrease) in due to other funds	(3,282)	(2,444)	(1,944)	(7,670)	(1,550)
Net cash provided by (used in) operating activities	\$ 48,603	\$ (3,202)	\$ (1,470)	\$ 43,931	\$ (13,579)

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2008

	Total Agency Funds
ASSETS	
Cash and investments	\$ 83,504
Accounts receivable	2,667
Total assets	<u>\$ 86,171</u>
LIABILITIES	
Accounts payable	\$ 68,818
Due to other funds	17,353
Total liabilities	<u>\$ 86,171</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Sylvan Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Sylvan Lake.

Reporting Entity

The City of Sylvan Lake is governed by an elected five-member Council. There are no component units for which the City is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, and recreational vehicle storage in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and the unrestricted resources as they are needed.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on major roads.

Local Road Fund

The Local Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on local roads.

Garbage and Rubbish Collection Fund

The Garbage and Rubbish Collection Fund is a special revenue fund used to account for the resources obtained through property taxes that are restricted for collection of garbage and rubbish.

Street and Drainage Debt Fund

The Street and Drainage Debt Fund is a debt service fund used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the construction of City streets and drains.

Community Center Capital Project Fund

The Community Center Capital Project Fund is a capital project fund used to account for financial resources such as proceeds of bond issue and other revenue necessary for the purpose of constructing a new community center.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

CITY OF SYLVAN LAKE, MICHIGAN
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Proprietary Fund

The City reports the following major proprietary funds:

Water Revenue Fund

The Water Revenue Fund accounts for the operation, maintenance and distribution of the water system.

Sewer Service Fund

The Sewer Service Fund accounts for the operation, maintenance and collection of the sewer system.

Internal Service Fund

The City's only internal service fund is the Municipal Garage Fund. This fund accounts for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

Fiduciary Funds

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Sylvan Lake property tax is levied on July 1 on the taxable valuation of property (as defined by State statutes) located in the City of Sylvan Lake as of the preceding December 31st.

The City has a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period July 1 through August 31 with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year.

The 2007 taxable valuation of the City of Sylvan Lake totaled \$102,217,265 and is used for the July 1, 2007 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	6.8941	\$ 705,000
Fire bond retirement	.4533	46,000
Library operations	.2249	23,000
Sanitation operations	2.0580	211,000
Water/sewer infrastructure bond retirement	1.6644	170,000
Street and drainage bond retirement	2.7772	284,000
Lake level operations	.0101	1,000
Community promotion/economic development	.4878	50,000
Community Center bond retirement	.1777	18,000

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and investments".

For purposes of the Statement of Cash Flows, the propriety funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CITY SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets represent unspent operating grants and contributions. Certain donations have been placed in the Escrow Fund until the designated funds are spent.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Depreciation of all exhaustible fixed assets used by proprietary fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water System	34-61.2
Buildings and Improvements	25-50
Vehicles	5-10
Furniture and Equipment	5-20
Sewer System	20-50
Roads	20

Compensated Absences (Sick Leave)

Sick pay earned is recognized in the governmental financial statements when it is paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rounding

For financial statements purposes, amounts are rounded to the nearest dollar. Combining non-rounded amounts may result in minor report differences.

NOTE B - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The City Manager can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Sylvan Lake incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

Fund	Activity	Budget Appropriation	Actual Expenditure	Budget Variance
General	City Hall and grounds	\$ 56,116	\$ 59,434	\$ 3,318
General	Planning Commission	10,070	13,763	3,693
Major Road	Maintenance	16,000	21,565	5,565
Major Road	Winter maintenance	6,500	8,228	1,728
Local Road	Maintenance	11,900	20,662	8,762
Local Road	Winter maintenance	5,400	8,420	3,020

NOTE C - Deficit Fund Balance:

The Community Center Bond Fund had expenditures in excess of revenues during the current year. The deficit has been funded by the General Fund. The 2009 tax millage has been adjusted to cover expenditures for the year and eliminate the deficit.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE D - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer maintains a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's cash deposits are in accordance with statutory authority and the investment policy of the City.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,898,543 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Interlocal agreement fund	\$ 602,124	31 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Interlocal agreement fund - MBIA	\$ 602,124	AAA-V1	Fitch

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 316,716	\$	\$	\$ 316,716
Construction in process	40,552	411,680		452,232
Total capital assets not being depreciated	\$ 357,268	\$ 411,680	\$	\$ 768,948
Capital Assets Being Depreciated:				
Roads	4,155,321	116,945		4,272,266
Buildings and improvements	357,754		23,853	333,901
Vehicles	229,620	56,982	63,139	223,463
Furniture and equipment	118,073	8,940	33,410	93,603
Subtotal	\$ 4,860,768	\$ 182,867	\$ 120,402	\$ 4,923,233
Less Accumulated Depreciation for:				
Roads	592,232	207,766		799,998
Buildings and improvements	204,777	10,702	13,716	201,763
Vehicles	158,057	26,335	60,795	123,597
Furniture and equipment	75,658	10,595	33,410	52,843
Subtotal	\$ 1,030,724	\$ 255,398	\$ 107,921	\$ 1,178,201
Net Capital Assets Being Depreciated	\$ 3,830,044	\$ (72,531)	\$ 12,481	\$ 3,745,032
Net Capital Assets	\$ 4,187,312	\$ 339,149	\$ 12,481	\$ 4,513,980
Business-Type Activities:				
Capital Assets Being Depreciated:				
Improvements	\$ 11,047	\$	\$	\$ 11,047
Vehicle	21,753			21,753
Machinery and equipment	348,048		2,265	345,783
Sewer system	1,480,168	85,164		1,565,332
Water system	1,428,879	63,413		1,492,292
Subtotal	\$ 3,289,895	\$ 148,577	\$ 2,265	\$ 3,436,207
Less Accumulated Depreciation for:				
Improvements	11,047			11,047
Vehicles	11,964	4,350		16,314
Machinery and equipment	111,924	21,598	2,265	131,257
Sewer system	261,903	35,157		297,060
Water system	414,174	33,217		447,391
Subtotal	\$ 811,012	\$ 94,322	\$ 2,265	\$ 903,069
Net Capital Assets Being Depreciated	\$ 2,478,883	\$ 54,255	\$	\$ 2,533,138
Net Capital Assets	\$ 2,478,883	\$ 54,255	\$	\$ 2,533,138

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 5,670
Public Safety	14,285
Public Works	222,301
Recreation and Culture	11,289
Other	1,853
Total Governmental Activities	<u>\$255,398</u>
Business-Type Activities:	
Water and Sewer	<u>\$ 94,322</u>

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E - Capital Assets (continued)

Construction Commitments

The City has an active Community Center construction project. At year-end the City's commitment for the contract is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Community Center building	\$ 372,614	\$ 107,386

NOTE F - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Community Center Bond Fund	\$ 1,114
	Agency Fund	<u>17,353</u>
	Total General Fund	<u>\$18,467</u>

These balances resulted from a short-term loan from the General Fund to the Community Center Bond Fund and donations received by the General Fund which are held in the Agency Fund prior to expenditure.

Interfund Transfers

Transfers In	<u>Transfers (Out)</u>			
	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Street and Drainage Capital Project Fund</u>	<u>Total</u>
Major Road Fund	\$	\$	\$ 31,317	\$ 31,317
Local Road Fund		18,198	74,843	93,041
Building Department Fund	10,320			10,320
Community Center Capital Project Fund	<u>40,000</u>			<u>40,000</u>
	<u>\$50,320</u>	<u>\$ 18,198</u>	<u>\$ 106,160</u>	<u>\$174,678</u>

Transfers of unrestricted revenues collected in the General Fund and Major Road Fund in accordance with budgetary authorizations. Street and Drainage Capital Project Fund transfers funds for construction project in Road Funds.

NOTE G - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2008:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2007	\$4,525,000	\$ 37,160	\$4,562,160
Increase in obligation for compensated absences		5,583	5,583
Principal retirements	<u>(180,000)</u>		<u>(180,000)</u>
Balance at June 30, 2008	<u>\$4,345,000</u>	<u>\$ 42,743</u>	<u>\$4,387,743</u>

The following is a summary of long-term debt transactions of the City's Enterprise Funds for the year ended June 30, 2008:

	<u>General Obligation Bonds</u>
Balance at July 1, 2007	\$1,905,000
Principal retirements	<u>(85,000)</u>
Balance at June 30, 2008	<u>\$1,820,000</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE G - Long-Term Debt (continued)

General Obligations Bonds:

In May 1995, the City of Sylvan Lake sold general obligation bonds in the amount of \$460,000 for the purposes of funding their portion of the construction of the Tri-City Fire Building. The bonds were issued with varying rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2009	5.40	\$ 45,000	\$ 3,915
2010	5.40	50,000	1,350
		<u>\$ 95,000</u>	<u>\$ 5,265</u>

During February 2003, the City of Sylvan Lake sold general obligation bonds in the amount of \$4,250,000 for the purposes of funding street and drainage improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2009	2.80	\$ 150,000	\$ 141,565
2010	3.20	155,000	136,985
2011	3.30	195,000	131,287
2012	3.45	205,000	124,534
2013	3.45	215,000	117,289
2014	3.55	225,000	109,586
2015	3.65	235,000	101,304
2016	3.80	245,000	92,360
2017	3.90	260,000	82,635
2018	4.00	270,000	72,165
2019	4.05	290,000	60,892
2020	4.10	305,000	48,768
2021	4.20	320,000	35,795
2022	4.25	330,000	22,062
2023	4.30	350,000	7,525
		<u>\$3,750,000</u>	<u>\$1,284,752</u>

During May 2007, the City of Sylvan Lake sold general obligation bonds in the amount of \$500,000 for the purposes of funding the City of Sylvan Lake community center project. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2009	3.80	\$ 15,000	\$ 21,686
2010	3.85	25,000	21,116
2011	3.90	25,000	20,154
2012	3.90	25,000	19,179
2013	4.125	25,000	18,204
2014	4.25	25,000	17,173
2015	4.25	30,000	16,110
2016	4.25	30,000	14,835
2017	4.25	30,000	13,560
2018	4.40	30,000	12,285
2019	4.40	30,000	10,965
2020	4.40	30,000	9,645
2021	4.50	30,000	8,325
2022	4.50	30,000	6,975
2023	4.50	30,000	5,625
2024	4.75	30,000	4,275
2025	4.75	30,000	2,850
2026	4.75	30,000	1,425
		<u>\$ 500,000</u>	<u>\$ 224,387</u>

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE G - Long-Term Debt (continued)

Enterprise Fund:

During August 2001, the City of Sylvan Lake sold general obligation bonds in the amount of \$2,250,000 for the purposes of funding water and sewer infrastructure improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2009	4.300	\$ 85,000	\$ 82,340
2010	4.375	90,000	78,544
2011	4.400	115,000	74,045
2012	4.500	120,000	68,815
2013	4.500	125,000	63,303
2014	4.500	135,000	57,452
2015	4.600	140,000	51,195
2016	4.750	150,000	44,412
2017	4.750	155,000	37,169
2018	4.750	165,000	29,569
2019	4.750	170,000	21,612
2020	4.750	180,000	13,300
2021	4.750	190,000	4,512
		<u>\$1,820,000</u>	<u>\$ 626,268</u>

Summary of Long-Term Debt Requirements:

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2008 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Funds	
	Principal	Interest	Principal	Interest
2009	\$ 210,000	\$ 167,166	\$ 85,000	\$ 82,340
2010	230,000	159,451	90,000	78,544
2011	220,000	151,441	115,000	74,045
2012	230,000	143,713	120,000	68,815
2013	240,000	135,493	125,000	63,303
2014-2018	1,380,000	532,013	745,000	219,797
2019-2023	1,745,000	216,577	540,000	39,424
2024-2026	90,000	8,550		
	<u>\$4,345,000</u>	<u>\$1,514,404</u>	<u>\$1,820,000</u>	<u>\$ 626,268</u>

NOTE H - Restricted Assets

The balances of the restricted asset accounts and other reserved fund balance are as follows:

General Fund:	
Police training	\$ 1,587
Park equipment	5,994
Beautification	1,397
Community center	3,384
Memorial park	175
Memorial Day Parade	1,107
Police enforcement	749
Public safety - K9	744
Road right-of-way	18,689
Nature trail	119
	<u>\$33,945</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 1 - Defined Benefit Plan

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. Employees and appointed officials who retire after age 60 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at: 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan. Each member contributes the following percentage of his/her annual compensation: General - Non-union - 5 percent; Police - 3 percent of the first \$4,200 and 5 percent of the remaining. The City is required to contribute at an actuarially determined rate; the current rate was 7.70 percent for General - Non-union and 7.48 percent for Police.

For the fiscal year ended June 30, 2008, the City's annual pension cost of \$50,073 for the plan was equal to the City's required contribution of \$34,017 and elected contribution of \$16,056 for non-union member contribution. The annual required contribution was determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 28 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual pay increases of 4.5 percent plus a percentage based on scale to reflect merit, longevity, and promotional pay increases. The December 31, 2007 actuarial valuation reflects prospective gradual reduction of the amortization period from 29 years in 2005 to 25 years in 2010. The amortization period is open.

Three Year Trend Information for GASB Statement No. 27

Fiscal Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 25,557	100%	-0-
June 30, 2007	30,775	100%	-0-
June 30, 2008	31,140	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
December 31,						
2005	\$ 1,497,970	\$ 1,751,190	\$ 253,220	85.5%	\$451,590	56.1%
2006	1,558,184	1,816,799	258,615	85.8%	450,335	57.4%
2007	1,626,940	1,902,071	275,131	85.5%	466,657	59.0%

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE J - Postemployment Benefits

In addition to providing pension benefits, the City has elected to provide postemployment full family health insurance benefits to retirees of the City who retire at age 55 or older with a minimum of 10 years of service. The City pays the full cost of coverage for these benefits from the date of retirement until age 65, or they become eligible for Medicare-Medicaid whichever comes first; at that time, the employer shall provide a plan that supplements Medicare-Medicaid. Retirees age 55 or older with seven to nine years of service are entitled to health insurance for themselves and can purchase coverage for their dependents at the City's group rates. Currently, seven retirees are eligible for postemployment health benefits. During the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums of \$59,458. The City obtains health care coverage through private insurers. The City's cost of retiree health care benefits is recognized as an expense in the year the premium is paid.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTE K - Joint Ventures and Related Organization

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2008 the Tri-City Fire Department has a fund surplus. As included in the General Fund budgetary comparison schedule, during the year ended June 30, 2008, \$224,869 was paid for fire protection to the Tri-City Fire Department. Financial statements of the Tri-City Fire Department are available for review at the fire hall.

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

Pursuant to agreements with the City of Pontiac and West Bloomfield Township, the City is provided with sewer service. The agreements call for the City to lease sewer capacity from the two municipalities. Funds for operation of the system are provided by initial tap-in fees and sewer disposal service charges to customers.

NOTE L - Waste Collection and Disposal

The City has a waste collection and disposal contract from August 1, 2006 through July 31, 2009. Monthly charges are based on residences serviced, 854 residences at the beginning of the contract. The monthly charge per residence is \$11.85 during the first year, \$12.45 and \$13.10 for the second and third year, respectively.

NOTE M - Library Services

The City has a contract with West Bloomfield Township Public Library to provide library services to residents of the City. Property owners of the City are assessed .3 mill for library services and the City is required to pay this amount (.3 mill) to West Bloomfield Township Public Library. The contract covers the period December 1 through November 30th of each year and is renewed automatically unless cancelled by six months written notice prior to the end of the current year period.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

NOTE N - Trust and Agency Fund

The Trust and Agency Fund total assets are composed of the following accounts at June 30, 2008:

Performance bonds	\$73,969
General Fund - restricted funds	15,256
Miscellaneous	<u>(3,054)</u>
Total assets	<u>\$86,171</u>

NOTE O - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Risk Management Authority for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of god and environmental cleanup losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that will be used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The Michigan Municipal League Worker's Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE P - Litigation and Contingent Liabilities

The City is defendant in various litigations. The City's attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Tax collections:				
Current taxes	\$ 706,207	\$ 706,207	\$ 704,691	\$ (1,516)
Administration fee	36,000	36,000	38,200	2,200
Interest and penalties	16,000	16,000	29,841	13,841
	<u>\$ 758,207</u>	<u>\$ 758,207</u>	<u>\$ 772,732</u>	<u>\$ 14,525</u>
Licenses and permits	3,770	3,770	4,530	760
Federal sources - Community development block grant. . .	10,000	30,500	20,663	(9,837)
State sources:				
Sales tax	145,507	145,507	142,088	(3,419)
Liquor licenses	1,850	1,850	1,668	(182)
Law enforcement	600	600	1,278	678
Road right of way	5,200	5,200	4,908	(292)
	<u>\$ 153,157</u>	<u>\$ 153,157</u>	<u>\$ 149,942</u>	<u>\$ (3,215)</u>
Charges for services:				
Charges for services - sales	1,400	1,400	1,230	(170)
Charges for services - fees	91,700	91,700	87,899	(3,801)
Charges for services - other funds:				
Major Road Fund	8,100	8,100	10,703	2,603
Local Road Fund	7,000	7,000	9,583	2,583
Garbage and Rubbish Collection Fund	12,000	12,000	3,791	(8,209)
Street and Drainage Capital Project Fund	36,433	38,433	27,179	(9,254)
Water/Sewer Infrastructure Capital Project Fund	49,501	49,501		(49,501)
Recreational Vehicle Storage Fund	10,000	10,000	10,000	
Sewer Service Fund	17,500	17,500	35,309	17,809
Water Revenue Fund	21,500	21,500	35,682	14,182
	<u>\$ 255,134</u>	<u>\$ 255,134</u>	<u>\$ 221,378</u>	<u>\$ (33,758)</u>
Fines and forfeitures	95,000	95,000	52,781	(42,219)
Interest earnings	16,000	16,000	32,494	16,494
Other revenue:				
Cable TV	21,000	21,000	27,130	6,130
Leases	22,654	22,654	22,054	(600)
Contributions	2,000	2,000	13,963	11,963
Sale of fixed assets		12,000	11,652	(348)
Miscellaneous	12,500	12,500	13,975	1,475
	<u>\$ 58,154</u>	<u>\$ 70,154</u>	<u>\$ 68,774</u>	<u>\$ 18,820</u>
Total revenues	\$ 1,349,422	\$ 1,381,922	\$ 1,343,292	\$ (38,630)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
Legislative:				
City council:				
Salaries			\$ 262	
Membership and dues			2,110	
Miscellaneous			1,000	
	\$ 4,100	\$ 4,100	\$ 3,372	\$ 728
City Manager:				
Salary			11,536	
Conferences and workshops			100	
Membership and dues			180	
	13,641	13,641	\$ 11,816	1,825
Elections:				
Salaries			3,346	
Office supplies			279	
Equipment			300	
Printing and publishing			595	
Miscellaneous			279	
	8,795	6,795	\$ 4,799	3,996
Assessor - contracted services	18,103	18,103	15,632	2,471
Attorney	26,500	36,500	28,409	8,091
Audit expense	5,040	5,040	5,017	23
Board of Review:				
Salaries			450	
Miscellaneous			60	
	550	550	\$ 510	40
Clerk-Treasurer:				
Salary			35,761	
Conferences and workshops			1,442	
Membership and dues			245	
	37,930	37,930	\$ 37,468	462
City Hall and grounds:				
Salary			16,696	
Office supplies and postage			6,277	
Tax roll and statement preparation			11,675	
Printing and publishing			2,581	
Codification, surveys, reports			4,411	
Maintenance			5,680	
Telephone			5,414	
Utilities			4,907	
Miscellaneous			1,793	
	51,716	56,116	\$ 59,434	(3,318)

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Office expense:				
Supplies			1,319	
Equipment repairs and rental			7,178	
Contractual services			2,743	
Repairs			277	
	19,100	19,100	\$ 11,517	7,583
Total general government	\$ 185,475	\$ 199,875	\$ 177,974	\$ 21,901
Public safety:				
Police department:				
Salaries:				
Chief of Police			83,917	
Employees			166,527	
Temporary and overtime help			57,670	
Arbitration			32,230	
Gas and Oil			15,948	
Code enforcement			14,984	
Uniforms			2,381	
Municipal garage rental			3,000	
Training			1,220	
Radio maintenance and dispatch			41,797	
Vehicle maintenance			5,660	
Conferences, workshops and memberships			220	
Miscellaneous supplies			7,712	
Contractual services			4,904	
	380,584	421,564	\$ 418,170	3,414
Fire protection:				
Contractual services			224,869	
Dispatch agreement			13,690	
	240,869	240,869	\$ 238,559	2,310
Animal shelter	1,000	1,000	1,118	(118)
Total public safety	\$ 622,453	\$ 663,453	\$ 657,847	\$ 5,606
Public works:				
Salaries			46,736	
Gas and oil			6,718	
Repair and maintenance supplies			1,375	
Vehicle maintenance			3,786	
Radio maintenance			726	
Municipal garage rental			3,000	
Miscellaneous			755	
	82,665	82,665	\$ 65,096	17,569
Street lighting	18,000	18,000	16,900	1,100
Total public works	\$ 100,665	\$ 100,665	\$ 81,996	\$ 18,669

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning commission:				
Secretary			360	
Contractual services			11,659	
Membership and dues			313	
Printing and publishing			246	
ZBA publications			625	
Miscellaneous			560	
	8,070	10,070	\$ 13,763	(3,693)
CDBG Expenditures	10,000	30,500	20,701	9,799
Total community and economic development	\$ 18,070	\$ 40,570	\$ 34,464	\$ 6,106
Recreation and culture:				
Parks and recreation:				
Salaries			17,047	
Operating supplies and maintenance			8,987	
Taxes			8,258	
Contractual services			17,949	
Utilities			2,110	
Summer program			2,986	
Lake control			6,780	
Rails-to-trails maintenance			1,962	
	58,645	69,645	\$ 66,079	3,566
Community Center:				
Salaries			850	
Maintenance and repair			10,388	
Utilities			6,842	
Miscellaneous			1,323	
	11,716	33,716	\$ 19,403	14,313
Total recreation and culture	\$ 70,361	\$ 103,361	\$ 85,482	\$ 17,879
Insurance and benefits:				
Insurance - General liability			15,528	
Employee benefits:				
Current employee benefits			164,089	
Retirees' benefits			59,458	
Workmen's compensation			7,773	
Unemployment			4,792	
			\$ 236,112	
Total insurance and benefits	261,064	261,793	\$ 251,640	10,153
Capital outlay - equipment	98,000	98,000	65,922	32,078
Total expenditures	\$ 1,356,088	\$ 1,467,717	\$ 1,355,325	\$ 112,392
Excess of revenues over (under) expenditures	\$ (6,686)	\$ (85,795)	\$ (12,033)	\$ 73,762

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other financing sources (uses):				
Transfer to Building Department Fund		(10,320)	(10,320)	
Transfer to Community Center Project Fund		(41,114)	(40,000)	1,114
Total other sources (uses)	\$	\$ (51,434)	\$ (50,320)	\$ 1,114
Excess of revenues and other sources over (under) expenditures and other uses	\$ (6,666)	\$ (137,229)	\$ (62,353)	\$ 74,876
Fund balance - July 1, 2007	631,261	631,261	631,261	
Fund balance - June 30, 2008	\$ 624,595	\$ 494,032	\$ 568,908	\$ 74,876

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 78,584	\$ 76,584	\$ 72,791	\$ (3,793)
Interest earnings	8,000	8,000	9,113	1,113
Total revenues	\$ 84,584	\$ 84,584	\$ 81,904	\$ (2,680)
Expenditures:				
Operating expenses:				
Salaries	19,335	19,335	15,512	3,823
Overtime	1,000	1,500	1,747	(247)
Benefits	10,094	1,739	1,294	445
Workers compensation	1,140	1,140	1,173	(33)
Liability insurance	2,720	11,075	8,786	2,289
Unemployment	768	768	723	45
Conferences and workshops	250	250	250	
	\$ 35,307	\$ 35,807	\$ 29,485	\$ 6,322
Maintenance:				
Supplies	1,000	1,000	1,887	(887)
Engineering fees	1,000	1,000	2,323	(1,323)
Contractual services	10,000	10,000	12,865	(2,865)
Rental	4,000	4,000	4,490	(490)
	\$ 16,000	\$ 16,000	\$ 21,565	\$ (5,565)
Traffic service maintenance:				
Supplies	500	500	179	321
Contractual services	3,500	5,000	3,698	1,304
Rental	100	100		100
	\$ 4,100	\$ 5,600	\$ 3,875	\$ 1,725
Winter maintenance:				
Supplies	4,000	2,500	2,015	485
Rental	4,000	4,000	6,213	(2,213)
	\$ 8,000	\$ 6,500	\$ 8,228	\$ (1,728)
Administration:				
Equipment	500	500		500
Audit	1,240	1,240	1,094	146
	\$ 1,740	\$ 1,740	\$ 1,094	\$ 646
Construction		55,165	31,317	23,848
Total expenditures	\$ 65,147	\$ 120,812	\$ 95,564	\$ 25,248
Excess of revenues over (under) expenditures	\$ 19,437	\$ (36,228)	\$ (13,660)	\$ 22,568

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other financing sources (uses):				
Transfer from Street and Drainage Capital Project Fund . . .		55,165	31,317	(23,848)
Transfer to Local Road Fund	(19,146)	(19,146)	(18,198)	948
Total other sources (uses)	\$ (19,146)	\$ 36,019	\$ 13,119	\$ (22,900)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 291	\$ (209)	\$ (541)	\$ (332)
Fund balance - July 1, 2007	216,288	216,288	216,288	
Fund balance - June 30, 2008	\$ 216,579	\$ 216,079	\$ 215,747	\$ (332)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 32,602	\$ 32,602	\$ 31,053	\$ (1,549)
County maintenance agreement	1,138	1,138	1,116	(22)
Interest earnings	7,500	7,500	6,861	(639)
Total revenues	\$ 41,240	\$ 41,240	\$ 39,030	\$ (2,210)
Expenditures:				
Operating expenses:				
Salaries	19,335	19,335	15,582	3,753
Overtime	750	1,500	1,687	(187)
Benefits	10,094	1,739	1,278	461
Workers compensation	1,140	1,200	1,173	27
Liability insurance	2,720	11,075	8,714	2,361
Unemployment	768	788	723	45
Conferences and workshops	500	500	250	250
	\$ 35,307	\$ 36,117	\$ 29,407	\$ 6,710
Maintenance:				
Supplies	500	500	514	(14)
Contractual services	7,500	7,500	14,882	(7,382)
Engineering fees		400	1,332	(932)
Rental	3,500	3,500	3,934	(434)
	\$ 11,500	\$ 11,900	\$ 20,662	\$ (6,762)
Traffic service maintenance:				
Supplies	400	400	130	270
Contractual services	200	800	1,054	(254)
	\$ 600	\$ 1,200	\$ 1,184	\$ 16
Winter maintenance:				
Supplies	2,500	2,500	2,771	(271)
Rental	3,500	2,900	5,649	(2,749)
	\$ 6,000	\$ 5,400	\$ 8,420	\$ (3,020)
Administration:				
Equipment	600	600		600
Audit	1,240	1,240	1,094	146
	\$ 1,840	\$ 1,840	\$ 1,094	\$ 746
Construction		131,835	85,628	46,207
Total expenditures	\$ 55,247	\$ 188,292	\$ 146,395	\$ 41,897
Excess of revenues over (under) expenditures	\$ (14,007)	\$ (147,052)	\$ (107,365)	\$ 39,687
Other financing sources:				
Transfer from Street and Drainage Capital Projects Fund		131,835	74,843	(56,992)
Transfer from Major Road Fund	19,146	19,146	18,198	(948)
Total other financing sources	\$ 19,146	\$ 150,981	\$ 93,041	\$ (57,940)
Excess of revenues and other sources over (under) expenditures	\$ 5,139	\$ 3,929	\$ (14,324)	\$ (18,253)

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND (Continued)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund balance - July 1, 2007	158,605	158,605	156,605	
Fund balance - June 30, 2008	<u>\$ 163,744</u>	<u>\$ 162,534</u>	<u>\$ 144,261</u>	<u>\$ (18,253)</u>

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GARBAGE AND RUBBISH FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 211,748	\$ 211,748	\$ 211,380	\$ (368)
State sources			907	907
Interest earnings	12,000	12,000	13,992	1,992
Total revenues.	\$ 223,748	\$ 223,748	\$ 226,279	\$ 2,531
Expenditures:				
Current:				
Salaries and benefits	21,465	21,485	19,453	2,012
Contractual services.	130,500	130,500	127,433	3,067
Audit expense	1,400	1,400	1,513	(113)
Municipal garage rental	2,040	2,040	2,000	40
Equipment rental.	2,000	2,000	3,948	(1,948)
Repairs and maintenance	1,700	9,300	7,921	1,379
Leaf disposal program	7,174	7,174	5,487	1,687
Miscellaneous	700	3,200	4,574	(1,374)
Total expenditures.	\$ 188,979	\$ 177,079	\$ 172,329	\$ 4,750
Excess of revenues over (under) expenditures.	\$ 56,769	\$ 46,669	\$ 53,950	\$ 7,281
Fund balance - July 1, 2007	239,065	239,065	239,065	
Fund balance - June 30, 2008.	\$ 295,834	\$ 285,734	\$ 293,015	\$ 7,281

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CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE DEBT SERVICE FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 284,365	\$ 284,385	\$ 283,872	\$ (493)
Interest earnings	1,500	1,500	1,471	(29)
Total revenues	\$ 285,865	\$ 285,885	\$ 285,343	\$ (522)
Expenditures:				
Audit fees	100	100	100	
Debt Service:				
Principal	140,000	140,000	140,000	
Interest	145,415	145,415	145,415	
Paying agent fees	350	350	425	(75)
Total expenditures	\$ 285,865	\$ 285,865	\$ 285,940	\$ (75)
Excess of revenues over (under) expenditures	\$	\$	\$ (597)	\$ (597)
Fund balance - July 1, 2007	8,480	8,480	8,480	
Fund balance - June 30, 2008	\$ 8,480	\$ 8,480	\$ 7,883	\$ (597)

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CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
COMMUNITY CENTER CAPITAL PROJECT FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Interest earnings	\$ 10,000	\$ 10,000	\$ 16,498	\$ 6,498
Expenditures:				
Attorney fees		5,000		5,000
Contractual services	16,000	16,000	1,361	14,639
Architect fee	10,000	5,000	5,909	(909)
Audit fees	100	100		100
Construction	468,900	458,900	404,410	54,490
Total expenditures	\$ 495,000	\$ 485,000	\$ 411,680	\$ 73,320
Excess of revenues over (under) expenditures . .	\$ (485,000)	\$ (475,000)	\$ (395,182)	\$ 79,818
Other financing sources:				
Operating transfer from General Fund		40,000	40,000	
Total other financing sources	\$	\$ 40,000	\$ 40,000	\$
Excess of revenues and other sources over (under) expenditures	\$ (485,000)	\$ (435,000)	\$ (355,182)	\$ 79,816
Fund balance - July 1, 2007	455,641	455,641	455,641	
Fund balance - June 30, 2008	\$ (29,359)	\$ 20,641	\$ 100,459	\$ 79,818

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OTHER SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 54,086	\$ 13,421	\$ 166,059	\$ 233,566
Interest receivable	338			338
Total assets	<u>\$ 54,424</u>	<u>\$ 13,421</u>	<u>\$ 166,059</u>	<u>\$ 233,904</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 30	\$	\$ 43,195	\$ 43,225
Accrued wages payable	2,379			2,379
Due to other funds		1,114		1,114
Total liabilities	\$ 2,409	\$ 1,114	\$ 43,195	\$ 46,718
Fund balance:				
Unreserved	52,015	12,307	122,664	187,186
Total liabilities and fund balances	<u>\$ 54,424</u>	<u>\$ 13,421</u>	<u>\$ 166,059</u>	<u>\$ 233,904</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2008

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Combined Totals
ASSETS					
Cash and investments	\$ 32,899	\$ 6,961	\$ 902	\$ 13,324	\$ 54,086
Interest receivable	238	5	6	89	338
Total assets	<u>\$ 33,137</u>	<u>\$ 6,966</u>	<u>\$ 908</u>	<u>\$ 13,413</u>	<u>\$ 54,424</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$	\$ 30	\$	\$	\$ 30
Accrued wages payable	430	1,949			2,379
Total liabilities	\$ 430	\$ 1,979	\$	\$	\$ 2,409
Fund balance	32,707	4,987	908	13,413	52,015
Total liabilities and fund balance	<u>\$ 33,137</u>	<u>\$ 6,966</u>	<u>\$ 908</u>	<u>\$ 13,413</u>	<u>\$ 54,424</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

June 30, 2008

	Fire Stations Bond Fund	Community Center Bond Fund	Combined Totals
ASSETS			
Cash and investments.	\$ 13,418	\$ 3	\$ 13,421
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds.	\$	\$ 1,114	\$ 1,114
Fund balance.	13,418	(1,111)	12,307
Total liabilities and fund balance.	\$ 13,418	\$ 3	\$ 13,421

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

June 30, 2008

	Street and Drainage Capital Project Fund	Water Improvement Construction Fund	Combined Totals
ASSETS			
Cash and investments.	\$ 71,052	\$ 95,007	\$ 166,059
Total assets.	<u>\$ 71,052</u>	<u>\$ 95,007</u>	<u>\$ 166,059</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable.	\$ 43,195	\$	\$ 43,195
Fund balance.	27,857	95,007	122,884
Total liabilities and fund balance.	<u>\$ 71,052</u>	<u>\$ 95,007</u>	<u>\$ 166,059</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 73,835	\$ 84,489	\$	\$ 138,324
Licenses and permits	28,223			28,223
State source	99			99
Charge for services			10,585	10,585
Interest earnings	2,748	781	9,480	12,989
Total revenues	\$ 104,905	\$ 66,250	\$ 20,065	\$ 190,220
Expenditures:				
Current:				
General government		189	10,585	10,774
Public safety - Building inspection	38,857			38,857
Public works - Drains	3,411			3,411
Community and economic development	33,475			33,475
Recreation and culture	23,082			23,082
Debt service:				
Principal		40,000		40,000
Interest and finance charges		26,031		26,031
Total expenditures	\$ 98,625	\$ 66,220	\$ 10,585	\$ 175,430
Excess of revenues over (under) expenditures	\$ 6,280	\$ (970)	\$ 9,480	\$ 14,790
Other financing sources (uses):				
Operating transfers in	10,320			10,320
Operating transfers out			(106,160)	(106,160)
Total other financing sources (uses)	\$ 10,320	\$	\$ (106,160)	\$ (95,840)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 16,600	\$ (970)	\$ (96,680)	\$ (81,050)
Fund balance - July 1, 2007	35,415	13,277	219,544	268,236
Fund balance - June 30, 2008	\$ 52,015	\$ 12,307	\$ 122,864	\$ 187,186

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Combined Totals
Revenues:					
Taxes	\$ 49,856	\$	\$ 22,983	\$ 996	\$ 73,835
Licenses and permits.		28,223			28,223
State source.			99		99
Interest earnings	1,781	98	295	574	2,748
Total revenues.	\$ 51,637	\$ 28,321	\$ 23,377	\$ 1,570	\$ 104,905
Expenditures:					
Current:					
Public safety - Building Inspection		38,657			38,657
Public works - Drains				3,411	3,411
Community and economic development.	33,475				33,475
Recreation and culture.			23,082		23,082
Total expenditures.	\$ 33,475	\$ 38,657	\$ 23,082	\$ 3,411	\$ 98,625
Excess of revenues over (under) expenditures. .	\$ 18,162	\$ (10,336)	\$ 295	\$ (1,841)	\$ 8,280
Other financing sources:					
Transfer from General Fund.		10,320			10,320
Total other financing sources	\$	\$ 10,320	\$	\$	\$ 10,320
Excess of revenues and other sources over (under) expenditures	\$ 18,162	(16)	\$ 295	\$ (1,841)	\$ 16,600
Fund balance - July 1, 2007	14,545	5,003	613	15,254	35,415
Fund balance - June 30, 2008	\$ 32,707	\$ 4,987	\$ 908	\$ 13,413	\$ 52,015

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2008

	Fire Stations Bond Fund	Community Center Bond Fund	Combined Totals
Revenues:			
Taxes	\$ 46,330	\$ 18,159	\$ 84,489
Interest earnings	521	240	761
Total revenues	\$ 46,851	\$ 18,399	\$ 65,250
Expenditures:			
Audit fees	100	89	189
Debt service:			
Principal	40,000		40,000
Interest and finance charges	8,610	19,421	26,031
Total expenditures	\$ 48,710	\$ 19,510	\$ 66,220
Excess of revenues over (under) expenditures	\$ 141	\$ (1,111)	\$ (970)
Fund balance - July 1, 2007	13,277		13,277
Fund balance - June 30, 2008	\$ 13,418	\$ (1,111)	\$ 12,307

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2008

	Street and Drainage Capital Project Fund	Water Improvement Construction Fund	Combined Totals
Revenues:			
Charge for services	\$ 10,585	\$	\$ 10,585
Interest earnings	5,600	3,880	9,480
Total revenues	\$ 16,185	\$ 3,880	\$ 20,065
Expenditures:			
Construction	10,585		10,585
Excess of revenues over expenditures	\$ 5,600	\$ 3,880	\$ 9,480
Other financing uses:			
Transfer to Road Funds	106,160		106,160
Total other financing uses	\$ 106,160	\$	\$ 106,160
Excess of revenues over (under) expenditures and other uses	\$ (100,580)	\$ 3,880	\$ (96,680)
Fund balance - July 1, 2007	126,417	91,127	219,544
Fund balance - June 30, 2008	\$ 27,857	\$ 95,007	\$ 122,864

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS

June 30, 2008

	Escrow Fund	Tax Collection	Combined Totals
ASSETS			
Cash and investments	\$ 83,504	\$	\$ 83,504
Accounts receivable	2,667		2,667
Total assets	<u>\$ 86,171</u>	<u>\$</u>	<u>\$ 86,171</u>
LIABILITIES			
Accounts payable	\$ 68,818	\$	\$ 68,818
Due to other funds	17,353		17,353
Total liabilities	<u>\$ 86,171</u>	<u>\$</u>	<u>\$ 86,171</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
COMMUNITY PROMOTION/ECONOMIC DEVELOPMENT

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 49,950	\$ 49,950	\$ 49,856	\$ (94)
Interest earnings	1,600	1,600	1,781	181
Total revenues.	\$ 51,550	\$ 51,550	\$ 51,637	\$ 87
Expenditures:				
Current:				
Salaries and benefits	29,282	29,282	21,256	8,026
Postage	3,400	3,400	1,961	1,439
Planning and development.	10,000	10,000	1,061	8,939
Beautification.	5,000	5,000	2,081	2,919
Cable TV	2,000	2,000		2,000
Memorial Day parade	500	500	107	393
Memberships and dues.			250	(250)
Website	3,213	3,213	3,050	163
Fireworks	750	750	750	
Printing and publishing	6,000	6,000	2,959	3,041
Total expenditures.	\$ 60,145	\$ 60,145	\$ 33,475	\$ 26,670
Excess of revenues over (under) expenditures.	\$ (8,595)	\$ (8,595)	\$ 18,162	\$ 26,757
Fund balance - July 1, 2007	14,545	14,545	14,545	
Fund balance - June 30, 2008.	\$ 5,950	\$ 5,950	\$ 32,707	\$ 26,757

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits	\$ 42,700	\$ 42,700	\$ 28,223	\$ (14,477)
Interest earnings	200	200	98	(102)
Total revenues	\$ 42,900	\$ 42,900	\$ 28,321	\$ (14,579)
Expenditures:				
Current:				
Salaries	33,056	33,056	29,263	3,793
Benefits	8,593	8,593	7,399	1,194
Supplies and miscellaneous	2,616	2,816	1,995	621
Total expenditures	\$ 44,265	\$ 44,265	\$ 38,657	\$ 5,608
Excess of revenues over (under) expenditures	\$ (1,365)	\$ (1,365)	\$ (10,336)	\$ (8,971)
Other financing sources:				
Operating transfers in	1,365	10,320	10,320	
Excess of revenues and other sources over (under) expenditures	\$	\$ 8,955	\$ (16)	\$ (8,971)
Fund balance - July 1, 2007	5,003	5,003	5,003	
Fund balance - June 30, 2008	\$ 5,003	\$ 13,958	\$ 4,987	\$ (8,971)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 23,028	\$ 23,028	\$ 22,983	\$ (45)
State sources	120	120	99	(21)
Interest earnings	140	140	295	155
Total revenues	\$ 23,288	\$ 23,288	\$ 23,377	\$ 89
Expenditures:				
Contractual services	23,028	23,028	22,983	45
Miscellaneous	120	120	99	21
Total expenditures	\$ 23,148	\$ 23,148	\$ 23,082	\$ 66
Excess of revenues over expenditures	\$ 140	\$ 140	\$ 295	\$ 155
Fund balance - July 1, 2007	813	613	613	
Fund balance - June 30, 2008	\$ 753	\$ 753	\$ 908	\$ 155

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LAKE LEVEL/DRAINS FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,000	\$ 1,000	\$ 996	\$ (4)
Interest earnings	800	800	574	(226)
Total revenues	\$ 1,800	\$ 1,800	\$ 1,570	\$ (230)
Expenditures:				
Lake level - county drain	2,500	2,500	3,411	(911)
Audit	50	50		50
Total expenditures	\$ 2,550	\$ 2,550	\$ 3,411	\$ (861)
Excess of revenues over (under) expenditures	\$ (750)	\$ (750)	\$ (1,841)	\$ (1,091)
Fund balance - July 1, 2007	15,254	15,254	15,254	
Fund balance - June 30, 2008	\$ 14,504	\$ 14,504	\$ 13,413	\$ (1,091)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
FIRE STATION BOND FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 46,410	\$ 46,410	\$ 46,330	\$ (80)
Interest earnings	400	400	521	121
Total revenues	\$ 46,810	\$ 46,810	\$ 46,851	\$ 41
Expenditures:				
Audit fees	100	100	100	
Debt Service:				
Principal	40,000	40,000	40,000	
Interest	6,210	6,210	6,210	
Paying agent fees	500	500	400	100
Total expenditures	\$ 46,810	\$ 46,810	\$ 46,710	\$ 100
Excess of revenues over expenditures	\$	\$	\$ 141	\$ 141
Fund balance - July 1, 2007.	13,277	13,277	13,277	
Fund balance - June 30, 2008	\$ 13,277	\$ 13,277	\$ 13,418	\$ 141

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
COMMUNITY CENTER BOND FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 18,196	\$ 16,196	\$ 18,159	\$ (37)
Interest earnings	1,500	1,500	240	(1,260)
Total revenues	\$ 19,696	\$ 19,696	\$ 18,399	\$ (1,297)
Expenditures:				
Audit fees	100	100	89	11
Debt Service:				
Interest	19,096	19,096	19,096	
Paying agent fees	500	500	325	175
Total expenditures	\$ 19,696	\$ 19,696	\$ 19,510	\$ 186
Excess of revenues over (under) expenditures	\$	\$	\$ (1,111)	\$ (1,111)
Fund balance - July 1, 2007				
Fund balance - June 30, 2008	\$	\$	\$ (1,111)	\$ (1,111)

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CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE CAPITAL PROJECT FUND
For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Services rendered	\$ 10,000	\$ 10,000	\$ 10,585	\$ 585
Interest earnings	10,000	10,000	5,600	(4,400)
Total revenues	\$ 20,000	\$ 20,000	\$ 16,185	\$ (3,815)
Expenditures:				
Construction	10,000	10,000	10,585	(585)
Excess of revenues over expenditures	\$ 10,000	\$ 10,000	\$ 5,600	\$ (4,400)
Other financing uses:				
Transfer to Road Funds	278,767	490,767	108,160	384,607
Total other financing uses	\$ 278,767	\$ 490,767	\$ 108,160	\$ 384,607
Excess of revenues (under) expenditures and other uses	\$ (268,767)	\$ (480,767)	\$ (100,560)	\$ 380,207
Fund balance - July 1, 2007	128,417	128,417	128,417	
Fund balance - June 30, 2008	\$ (140,350)	\$ (352,350)	\$ 27,857	\$ 380,207

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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
TROY R. FORMAN
JAMES A. STEPHENSON, III
STEPHEN C. OTIS

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

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YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

December 18, 2008

**To the City Council and Management of
the City of Sylvan Lake, Michigan**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Sylvan Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The Community Center Bond Fund had expenditures in excess of revenues resulting in a fund deficit. The deficit position required a plan to eliminate the deficit. Council subsequently approved a deficit elimination plan to correct the deficit created when contractual payments were made.

The adoption of the Michigan Uniform Local Budgeting Act (Act No. 621, Public Acts of 1978), has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amounts. We noted that the budget was amended during the fiscal year in an attempt to comply with the budget requirements. As previously noted, despite the amendments, expenditures exceeded budgeted amounts in various activities. Listed below are the significant budget overruns:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	City Hall and grounds	\$ 56,116	\$ 59,434	\$ 3,318
General	Planning Commission	10,070	13,763	3,693
Major Road	Maintenance	16,000	21,565	5,565
Major Road	Winter maintenance	6,500	8,228	1,728
Local Road	Maintenance	11,900	20,662	8,762
Local Road	Winter maintenance	5,400	8,420	3,020

The Street and Drainage Capital Project Fund budgets included unappropriated surplus in excess of fund balance. A balanced budget limits the use of unappropriated surplus to fund balance at the beginning of the year.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants

J&K/srz